



A POLYTECHNIC INSTITUTION

School of Business

Program: Financial management

**FMGT 4510**  
**Finance 2****Start Date:** January 3, 2007**End Date:** May 25, 2007**Total Hours:** 80    **Total Weeks:** 20**Term/Level:** 4    **Course Credits:** 5.5**Hours/Week:** 4    **Lecture:** 2    **Lab:** 2**Prerequisites**1<sup>st</sup> year BCIT business courses,  
FMGT 3510 (Finance 1)**■ Course Description**

The purpose of the course is to give the student an introduction to basic concepts of corporate finance. Corporate finance is concerned with helping financial managers answer two broad questions: (1) what investment should the firm make? and (2) how should the firm pay for these investments? These decisions are made in the context of general economic conditions and under the scrutiny of the financial markets. The primary objective of financial management is to maximize the market value of the firm as determined by the financial markets.

**■ Evaluation**

Mid-term	45%
Final examination	45%
Quizzes (best 3 of 4)	<u>10%</u>
Total	<u>100%</u>

**■ Course Learning Outcomes/Competencies**

Upon successful completion, the student will be able to:

- 1) Calculate the firm's weighted average cost of capital
- 2) Analyze the desirability of an investment in capital assets under conditions of certainty and risk.
- 3) Understand how firms raise long-term capital. Determine the best way to finance a firm through a mixture of long-term debt and and/or equity.
- 4) Understand how corporate taxes and various transaction costs impact on the capital structure of the firm.
- 5) Understand how firms set dividend policies that will meet the twin goals of shareholder satisfaction and asset growth.
- 6) Understand the special factors that affect firms with significant foreign operations. Outline the factors influencing exchange rates and evaluate techniques to hedge or reduce foreign exchange risk. Analyze foreign investment decisions and outline ways to finance international investments.
- 7) Understand basic financial risk management techniques.
- 8) Understand the basic mechanics of options as well as calculate their value. Understand the applicability of general option concepts to other aspects of financial management. Analyze the effect of issuing convertibles and warrants on shareholders' investments and on the issuing company.
- 9) Calculate the potential advantages and disadvantages of leasing versus buying capital assets.

- 10) Calculate the effects of mergers and acquisitions on the value of shareholders' investments.
- 11) Estimate a firm's need for external financing in the near future. Prepare pro-forma financial statements given certain assumptions regarding revenue and costs and their relationship to various balance sheet accounts.

### ▪ Verification

I verify that the content of this course outline is current.

J. Terry Gordon

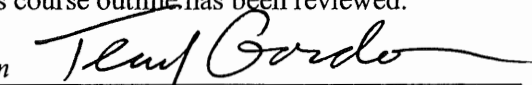
  
Authoring Instructor

December, 2006

Date

I verify that this course outline has been reviewed.

J. Terry Gordon

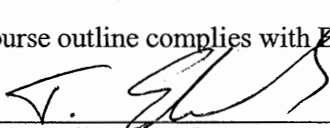
  
Program Head/Chief Instructor

December, 2006

Date

I verify that this course outline complies with BCIT policy.

Time Edwards

  
Dean/Associate Dean

Jan 16/07

Date

Note: Should changes be required to the content of this course outline, students will be given reasonable notice.

### ▪ Instructors

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### ▪ Learning Resources

Required:

*Fundamentals of Corporate Finance, Fifth Canadian Edition* by Ross, Westerfield, Jordan and Roberts.  
ISBN 0-07-91659-4, McGraw-Hill Ryerson

Financial calculator (Sharp EL-733A is **highly recommended**)

## ▪ Information for Students

**Self Study Problems:** Suggested self-study problems for each chapter will be assigned throughout the term. This homework will not be collected or marked, but it is essential that you work through the problems in order to understand the material and perform well on the exams. Time permitting, we will take up some of these problems during the labs. For your own sake, please resist the temptation to simply look at solutions without having worked through the problems yourself.

**Quizzes:** A number of short quizzes will be given over the term during the lab periods. We will “throw out” your worst quiz in determining your quiz mark for the term. The schedule for quizzes will be posted in the Shareout folder for the course shortly after the start of the term.

**Makeup Tests, Exams or Quizzes:** There will be **no** makeup exams or quizzes. If you miss a test, exam or quiz, you will receive zero marks. Exceptions may be made for **documented** medical reasons or extenuating circumstances. In such a case, it is the responsibility of the student to inform the instructor **immediately**.

**Ethics:** BCIT assumes that all students attending the Institute will follow a high standard of ethics. Incidents of cheating or plagiarism may, therefore, result in a grade of zero for the assignment, quiz, test, exam, or project for all parties involved and/or expulsion from the course.

**Attendance:** The attendance policy as outlined in the current BCIT Calendar will be enforced. Attendance will be taken at the beginning of each lab session. Students not present at that time will be recorded as absent.

**Attempts:** Students must successfully complete a course within a maximum of three attempts at the course. Students with two attempts in a single course will be allowed to repeat the course only upon special written permission from the Associate Dean. Students who have not successfully completed a course within three attempts will not be eligible to graduate from the appropriate program.

**Course Outline Changes:** The instructors may change the material or schedule specified in this course outline. If changes are required, they will be announced in class.

## ▪ Course Schedule

Week of	Lecture Topic	Text Book Reference	Self Study Problems – be prepared to take these up in the labs
January 1	Cost of Capital	Chapter 14	Review bond and stock valuation and risk and return concepts
January 8	Capital Budgeting I	Chapter 9	Chapter 14 Problems 3, 6, 9, 15, 16 + handout
January 15 & 22	Capital Budgeting II	Chapter 10	Complete Chapter 14 Problems; Chapter 9 Problems 3, 6, 7, 11, 12, 15, 16, 17, 22, 23 (part a only) + handout Chapter 10 Problems 1, 10, 13, 14, 19, 21, 23, 26, 30, 31, 32, 34, 36, 47
January 29	Capital Budgeting III	Chapter 11	Complete Chapter 10 Problems;
February 5	Raising Capital	Chapter 15	;Chapter 11 Problems 5 (omit part a), 9, 17, 18, 19, 20, 21
February 12 & 19	Financial Leverage & Capital Structure Policy	Chapter 16	Chapter 15 Problems 1, 2, 7, 9, 10, 12, 14, 15 Chapter 16 Problems 4, 5, 6 (a & b), 8, 13, 14, 15, 16, 17, 18, + handout
February 26	Clean-up & Review		Complete Chapter 16 Problems
March 5	<b>Mid-term Exam (45%)</b>	<b>Chapters 14, 9, 10, 11, 15, 16</b>	
March 12	<b>Spring Break</b>		
March 19	Dividend Policy	Chapter 17	Chapter 17 Problems 2, 3, 4, 5, 6, 12, 13, 14, 16
March 26	International Corporate Finance	Chapter 21	Complete Chapter 17 Problems
April 2	Risk Management	Chapter 24	Chapter 21 Problems 1, 3, 4, 5, 6, 7, 8, 10, 12, 14 (part a & b only)
April 9	Options	Chapter 25	Complete Chapter 21 Problems; Chapter 24 Problems 1, 2, 4, 5, 6 + supplemental problems
April 16	Leasing	Chapter 22	Chapter 25 Problems 1, 3, 4, 5, 8, 10, 11, 12, 16, 17 + supplemental problems
April 23	Mergers and Acquisitions	Chapter 23	Chapter 22 Problems 2, 4, 8, 9, 10, 12, 13
April 30	Long-term Financial Planning and Corporate Growth	Chapter 4	Chapter 23 Problems 7, 9, 10, 13 + supplemental problems

May 7	Clean-up & Review		Chapter 4 Page 103 Concept Review Questions 5, 6, 7, 8, 9, 10 (based on "Grandmother Calendar Company" on the same page) Problems 10, 11, 13, 14, 21, 22, 23, 25
May 14 & 22	<b>Final Exam (45%)</b>	<b>Chapter 17, 21, 24, 25, 22, 23, 4</b>	